RAJYA SABHA

Tuesday, the 14th February 1995/25th Magha, 1916 (Saka)

The House met at eleven of the clock, **MR. CHAIRMAN** in the Chair

MINISTERS INTRODUCED

THE LEADER OF THE HOUSE (SHRI S. B. CHAVAN): Mr. Chairman, Sir, with your permission, I introduce to you and, through you to the House, my colleagues:

Shri Madhavrao Schinda

— Minister of Human Resource Development.

Shri Ajit Singh

— Minister of Food

SHRI P. A. Sangma

— Minister of Labour

Shri G Venkat Swamy

— Minister of Textiles.

Shri P. Chidambaram

— Minister of State (Independent Charge) of the Ministry of Commerce.

Shrimati Urmilaben Chimanbhai Patel

— Minister of State in the Ministry of Power.

..Shri Matang Sinh . . . .

— Minister of State in the Ministry of Parliamentary Affairs.

MR. CHAIRMAN: My congratulations to the new Ministers!

ORAL ANSWERS TO QUESTIONS

Notice issued to Standard Chartered Bank

*1. SHRI MD. SALIM:

DR. BIPLAB DASGUPTA:†

Will the Minister of FINANCE be pleased to state:

(a) whether the Standard Chartered Bank has since given reply to the notice issued by the Enforcement Directorate on its activities through the vostro Accounts; and

(b) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHAR MURTHY): (a) No. Sir.

(b) Does not arise.

DR. BIPLAB DASGUPTA: Sir, I can well understand the reluctance of the Government to give details on this issue, because this issue involves, what once a Prime Minister of England described as, "the ugly face of capitalism." It is also a fallout of the security scam which we discused in the last session, but with a much smaller amount of Rs. 142 crores. My question is, (a) would the Minister kindly confirm whether the Enforcement Directorate has found that three people—Ravi Singhal, S. K. Minocha and Pradeep Gupta—three Indians along with Kitt Fairbrother of U. K. have used their own companies to launder money from India into their accounts in Geneva and Singapore, (b) is it not true that because of this laun dering they have done, Fairbrother and Pradeep Gupta got five per cent commission each, and the two banks involved, Standard Chartered Bank and ANZ Grindlays Bank, also got five per cent each for helping in the laundering of this money, (c) is it not true...

MR. CHAIRMAN: There is one more question.

DR. BIPLAB DASGUPTA: This is part of the same question Sir. (c) Whether he can confirm that the money which was laundered in this way actually was

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† Hhe Question was actually asked on the floor of the House by Dr. Biplab Dasgupta.

the rupee denominated cheques of the Bank of Foreign Trade of the former Soviet Union, and when this was transferred illegally in this way, the officials of the banks concerned knew that they were violating FERA and, in spite of this was done? And (d), is this not true...

MR. CHAIRMAN: You cannot go asking on so many things. Please conclude.

DR. BIPLAB DASGUPTA: I am concluding. Is this not true that the Special Court on securities scam issued a number of serious strictures against this Standard Chartered Bank? They say that the petitioner *Prima facie* appears to be an equal and willing party to the process which has resulted in the large-scale diversion of funds in private pockets. At this stage, it cannot be said that the petitioners were innocent parties, who have been taken for a ride. It also says...

MR. CHAIRMAN: Now conclude, please.

DR. BIPLAB DASGUPTA: I am concluding. Just one more point. The petitioners have, in pursuit of profit, ignored the norms and regulations of FERA. So, may I ask this question whether the Minister will be kind enough to confirm the details that I have given?

SHRI M. V. CHANDRASHEKHAR MURTHY: Sir, the main question relates to the notice given to the Standard Chartered Bank by the Enforcement Directorate. It is true the Bank has been charged for contravention of various sections of the FERA, for illegally remitting funds in foreign exchange out of India amounting to approximately Rs. 4.5 crores. The funds were conveyed to M/s. Eastern Suburbs in an account in Garo Bank, London. The Enforcement Directorate has issued 20 show-cause notices to this bank between 25-6-1993 and 10-2-1994. In response to these show-cause notices, the Standard Bank has sought inspection of various documents on which reliance has been placed. Inspection of these documents has been taken by them on twelve occasions between 2.8.1993 and 2.2.1994. They are still to reply to the show-cause notices.

Further, Sir, the show-cause notice sanctions prosecution under Section 56 of the FERA. It was issued against this Bank and its officers. Even opportunity notice, as required under this Act, was also issued but the Bank has filed a writ petition in the Bombay High Court challenging the legality of these notices. I am told that Court has issued stay orders. On this the Department has filed a special leave petition in the Supreme Court and the Supreme Court has directed the High Court of Bombay to take up the case as early as possible.

DR. BIPLAB DASGUPTA: I hope the Minister is aware that two or three years back, when some foreign banks operating in the United Kingdom-the BCCI and two Indian banks—were found to be violating the laws of that particular country in laundering money in various illegal transactions, this particular bank and the other two were liquidated by the court in England and the entire process was completed within one year. I notice from the Minister's statement that for the last two years some show-cause notices, this and that, have been issued, but no material progress has been made in this particular case. I would like to know whether it is because of the feeling on the part of the Government—it may be absolutely wrong—that if they take any action against the foreign banks, it would jeopardise their globalisation and liberalisation programme. They want to maintain a good image of the Government. So, they are not taking any action against the concerned bank. If that is the case, it is a matter of shame because if the United Kingdom can force the banks operating there to conform to the laws of that country, why can't we force the foreign banks concerned to conform to the laws of our country? And the officials concerned, who have been named in various such transactions—e.g. A Desousa, Anil Bose and Paul Pareira—in laundering

money in these illegal transactions, have also to be prosecuted. So, my question is whether any action has been taken to put these officials, who are criminals, who have violated the laws of the country, behind the bar. What specific action has been taken against them? I would like to have a specific answer from the Minister on this particular question.

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH): I strongly repudiate any suggestion that our Government is going to shield any guilty person. We will take appropriate action against any foreign bank which violates our laws. As far as this particular case is concerned, there are not only foreign banks, but Indian banks also which are involved. We have to proceed according to the law of the land. If the High Court stays the proceedings, we go to the Supreme Court. The Supreme Court had heard this matter only on the 10th February. They have asked the High Court to deal with this case expeditiously. It is because of this that the delay might have occurred. It is not because of any wilful action on the part of this Government to shield any guilty person. I strongly deny any such insinuation.

SHRI SANJAY DALMIA: Mr. Chair. against the Indian officials who were involved in violating the banking laws| If the officials of the Standard Chartered Bank are found violating banking laws, similar action also should be taken against them whether they are in India or posted in the U.K. looking after the Indian section.

SHRI MANMOHAN SINGH: Mr. Chairman, Sir, it goes without saying that in accordance with the banking laws, action will be taken against the officials who are found guilty.

DR. BIPLAB DAS GUPTA: Why did you take so many months?

SHRI MANMOHAN SINGH: I have already explained to you the cause for delay.

SHRI GURUDAS DAS GUPTA: Mr. Chairman, I understand the predicament of the hon. Finance Minister. He is helpless because the judiciary stands in the way. I understand his helplessness. I would like to know from the Minister what steps the Government proposes to take so that the judiciary does not stand in his way. The law will take its own course. As you know, Sir, the white-collar crimes are on the rise in the country. The white-collar crimes are on the rise in the country terribly. It is not only the Vostro accounts but it is also in the NRI accounts and many other accounts that we come across serious and systematic violation by the white-collar criminals. Therefore, it is not a matter of pleading helplessness. But it is a matter of Government taking action or becoming harsh. In view of this, Sir, may I ask the hon. Finance Minister to let me know whether there is any suggestion to dilute the Foreign Exchange Regulation Act? I would like to know from the Minister whether a study team was set up by the Reserve Bank of India and whether that study team has suggested restriction of the Foreign Exchange Regulation Act and regulation of this Act and whether they have suggested that its nomenclature should be changed and whether they have suggested that there should be a law named, "Management of Foreign Exchange Act". I would like to know whether there is any serious attempt to dilute the Foreign Exchange Regulation Act. This is part (a) of my question.

(b) Since violation by Vastro accounts is on the rise, what steps the Government would take and what systematic changes the Government would like to bring about to plug the loop holes? There is a terrible attack on the Foreign Exchange Regulation Act both by the Indian banks and the foreign banks. What steps he

would take to really thwart their attempts?

SHRI MANMOHAN SINGH: With regard to the reforms in the judicial system, I have nothing to say. This particular question relates to the... *(Interruptions)*...

SHRI GURUDAS DAS GUPTA: I know that the hon. Finance Minister will not take any steps to change the judicial system. But he can take some steps with regard to the financial system.

SHRI MANMOHAN SINGH: As far as these legalities are concerned, we have strengthened the Reserve Bank of India's supervisory role. We are going to strengthen the internal control mechanism in the bank. There will be much much frequent supervision of Indian banks including foreign banks. I do hope that in future, these things will not occur.

With regard to the amendment of the Foreign Exchange Regulation Act which the hon. Member has mentioned, certain exercises have been undertaken and this is a changing situation. The Foreign Exchange Regulation Act was passed in 1973. Since then much water has flowed down the river, Ganga. Therefore, in the light of the changing economic situation, I think it is quite possible that changes would be necessary. When the Government makes up its mind, we will come before the House and share this information with the House.

SHRI VAYALAR RAVI: Mr. Chairman, Sir, these foreign banks, especially the Standard Chartered Bank, were the main instruments behind the whole securities scam. They were behind its beginning. A series of reports used to come that they indulged in foreign exchange violations as well as encouraging unwanted practices in the field of banking and economic activity. In this connection, would like to know from the hon. Minister whether apart from the crimina prosecution in respect of the offences, he proposes to initiate steps to even cance their licences, not in toto, but in some branches. There should be some kinc of punishment so that you can make them feel that they cannot get away with wha ever wrong they do to the Indian econ omy. The Standard Chartered Bank es pecially, is No. 1 in the criminality list. *(Interruptions)*

SHRI MANMOHAN SINGH: I thin cancellation of licence is an extreme measure and one has to weigh the pros and cons of the various irregularitie and illegalities. I cannot say, as a class, that I am going to cancel the licence of any bank.

Non-official Directorate in Nationalised Banks

*2. SHRI PRAGADA KOTAIAH: Will the Minister of FINANCE be pleased to refer to Unstarred Question 2004 given in the Rajya Sabha on 20th December, 1994 and state:

(a) the steps taken so far by Government for filling up the vacancies of non-official Directors in various nationalised Banks;

(b) the number of vacancies filled up so far along with those yet to be filled up; and

(c) by when the remaining vacancies are likely to be filled up?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHAR MURTHY): (a) to (c) A Statement is laid on the Table of the House.

Statement

The names of Non-Official Directors to be appointed on the Boards of 1 Nationalised Banks have recently been approved. Clearances from four agencies i.e. Income Tax, Excise, Custom